The Financial Impact of Revenue Sharing on Collegiate Basketball Programs during March Madness

Running Head: Revenue Sharing in Collegiate Basketball
Duvine Beebe
Erskine Student
Class: Economics and Finance of Sport
Instructor: Joseph Elledge
Date: 11/4/24

Abstract

This paper examines the financial impact of revenue sharing in collegiate basketball during March Madness. Revenue sharing, a vital mechanism for maintaining smaller programs, is juxtposed against its potential to favor larger, high-performing programs. By exploring revenue distribution models and their consequences, the paper highlights both the stability provided to underfunded programs and the financial disparities created within the NCAA framework. Drawing on professional sports as a comparative lens, the discussion identifies challenges and proposes insights for improving fairness and competitive balance in collegiate basketball.

Introduction

Hook:

March Madness, the annual NCAA basketball tournament, is more than just a sporting spectacle; it's a financial juggernaut. Generating billions of dollars each year from television rights, sponsorship deals, and ticket sales, the tournament serves as a significant revenue source for the NCAA and its participating schools. Yet, the question remains: how fairly is this money divided? The immense financial stakes and the subsequent distribution of funds have sparked debates over whether the current revenue-sharing model truly serves all programs fairly, particularly smaller institutions that rely heavily on this funding to sustain their athletic departments.

Background:

Revenue sharing is a cornerstone of the NCAA's financial model, ensuring that funds generated by major events like March Madness are divided among participating schools.

This system is particularly significant for smaller programs, which depend on their share of the revenue to maintain athletic operations. However, the structure of this revenue-sharing model often leans in favor of powerhouse programs—teams that consistently perform well and advance further in the tournament. These schools take a larger share of the financial pie, creating a growing gap between the "haves" and "have-nots" of collegiate basketball. This background sets the stage for a deeper exploration of the system's benefits and shortcomings.

Thesis Statement:

Revenue sharing during March Madness plays a dual role: it serves as a financial stabilizer for smaller collegiate basketball programs by granting them access to much-needed funding, yet it also continues financial inequalities by giving larger, high-performing programs a bigger share of the resources. By examining these dynamics, this paper will highlight how insights from professional sports revenue-sharing models could inform potential reforms within the NCAA to promote greater equity and competitive balance.

Purpose of Study:

This paper seeks to evaluate the financial impact of March Madness revenue sharing on collegiate basketball programs, focusing on both its stabilizing effects and its tendency to reinforce financial gaps. Additionally, the study aims to explore potential reforms inspired by professional sports models, such as those seen in the NBA and NFL, which may offer practical solutions for addressing these imbalances. Ultimately, the goal is to provide a comprehensive understanding of how revenue-sharing policies influence the financial health and competitive dynamics of collegiate basketball.

Body Sections

Section 1: The Revenue Sharing Model in March Madness

Revenue sharing during March Madness follows a complex structure, with funds divided based on a combination of tournament performance and institutional participation. Schools that perform well and advance further in the tournament receive a larger share of the revenue, while smaller or less competitive programs are left with a more modest portion. This system, while providing some financial support to all participating schools, inherently favors programs with established success and resources. For example, powerhouse programs with high recruitment budgets and media visibility not only secure larger revenue shares but also attract additional funding through sponsorships and endorsements. According to Goldfisher's analysis, the economic impact of March Madness extends beyond participating schools, influencing local economies as well. However, this ripple effect is often concentrated in regions with successful programs, further widening the financial gap between large and small schools.

Section 2: Financial Benefits for Smaller Programs

For smaller programs, revenue sharing during March Madness serves as a financial lifeline. These funds are often used to cover operational costs, such as maintaining athletic facilities, recruiting athletes, and supporting non-revenue-generating sports. Without this revenue, many smaller institutions would struggle to sustain their athletic departments, let alone compete in high-profile tournaments. Edelman's research highlights how the NCAA’s revenue-sharing model provides critical financial stability to these underfunded programs, ensuring their continued participation in collegiate athletics. However, Thompson's analysis of NIL (Name, Image, and Likeness) rights reveals

additional challenges, as the introduction of NIL policies has shifted the revenue landscape. Smaller programs now face increased competition from larger schools that can offer lucrative NIL opportunities to athletes, further adding to existing disparities despite the benefits of revenue sharing.

Section 3: Inequities in Revenue Distribution

While revenue sharing benefits smaller programs, it also creates significant inequalities within the NCAA. High-performing programs consistently receive larger shares of tournament revenue, enabling them to invest more in recruiting, training, and facilities—advantages that keep them dominant year after year. This cycle leaves smaller programs struggling to compete on an uneven playing field. Sullivan et al. explores how this imbalance mirrors trends seen in professional sports, where revenue-sharing policies often fail to achieve a true competitive balance. Moreover, Melouk & Keskin's research on tournament logistics reveals that scheduling and team assignments can indirectly influence revenue distribution, further tilting the scales in favor of powerhouse programs. Drawing parallels to the NBA and NFL, where revenue-sharing reforms have attempted to address similar inequalities, this section argues that the NCAA could adopt similar strategies to promote fairness and equity.

Conclusion

Restatement of Thesis:

Revenue sharing during March Madness is a critical mechanism for ensuring the financial stability of smaller collegiate basketball programs. However, the current system disproportionately benefits larger, high-performing schools, creating financial gaps that

undermine the NCAA's commitment to competitive balance. This dual role highlights the need for a more equitable revenue-sharing model that addresses these imbalances while continuing to support underfunded programs.

Summary of Key Points:

The discussion has underscored the importance of revenue sharing as both a stabilizing force and a source of financial inequality within collegiate basketball. The first section detailed the structure of the revenue-sharing model, revealing its inherent biases. The second section highlighted the vital role revenue sharing plays in supporting smaller programs, ensuring their survival amidst financial challenges. Finally, the third section examined the inequities created by the current system, drawing insights from professional sports to propose potential solutions.

Closing Statement:

Achieving financial equity in collegiate basketball is not just about redistributing money, it's about leveling the playing field to ensure that all programs, regardless of size or performance, have the opportunity to thrive. By addressing the disparities within the current revenue-sharing model and learning from the successes and failures of professional sports, the NCAA can create a more balanced and inclusive system that benefits all stakeholders. After all, a tournament celebrated as March Madness should symbolize not just competition, but fairness and opportunity for every team involved.

References

Edelman, M. (2014). The District Court Decision in O'Bannon v. National Collegiate Athletic Association. Washington and Lee Law Review, 71(4), 2318A-.

Goldfisher, A. (1997). Western Regional Finals Brought Big Spenders to San Jose. Silicon Valley/San Jose Business Journal, 10-.

Melouk, S. H., & Keskin, B. B. (2012). Team Assignments and Scheduling for the NCAA Basketball Tournament. The Journal of the Operational Research Society, 63(5), 620–630.

Sullivan, W. M., et al. (2024). Is the 'Revered Tradition of Amateurism' Over for College Sports? Intellectual Property & Technology Law Journal, 36(9), 8–13.

Thompson, T. P. (2022). Maximizing NIL Rights for College Athletes. Iowa Law Review, 107(3), 1347–1387.